

Chief, Manufacturing Sectors Branch

12 May 1959

Deputy Chief, Industrial Division

Review of Project 30.2043, The Development of the Machine Building Industry in Communist China, 1949-62.

1. As a study of the development of the machine building industry of Communist China, subject project is now in excellent condition and requires very little additional work before it could be submitted for publication.

2. As a study in comparative economic development the project is not yet ready for submission because it does not define with sufficient precision or detail the terms within which the comparison is being made.

3. The project now discusses the general aims of the Soviet model (national power, autarky, and the elimination of capitalistic elements in society, p. 3). The parallel between China and the USSR with respect to these objectives has not been challenged. The report is weak, however, on the subject of which sectors of the economy were to be most emphasized under the Soviet model, and likewise, on the sectoral priorities for mechanization. To some extent this weakness is based on a failure to distinguish between Soviet propaganda in its public statements (as in plans for the development of agriculture and light industry) and actual accomplishments. More specifically, the terms of the model need to be made more explicit as to a) actual sectoral priorities, as between industry, agriculture, and other major sectors, b) the priorities assigned for developmental purposes within industry as a consumer of machinery products, and c) the priorities assigned for the development of the branches of machine building itself.

4. In addition, although reference is made from time to time to a Soviet penchant for gigantomania, the pattern of vertical and horizontal integration implicit in the Soviet model is not developed. It is implied, however, that such a pattern existed, and was an object of uncritical emulation by the Chinese. It is in this area that it is important to determine the nature and extent of Chinese borrowing from the USSR. Therefore, it is important that the character of the model on these subjects be made more specific.

**SUBJECT: Review of Project 30.2043, The Development of the Machine Building Industry in Communist China, 1949-62.**

5. Having developed the characteristics of the Soviet model more explicitly the following questions will arise:

a. In what specific respects did China follow the Soviet model without change, in what respects, if any, did the Chinese adopt policies contrary to the model, and in what respects was the Chinese course of action independently arrived at because the model provided no guidance?

b. With respect to the specific changes currently being made by the Chinese in their model (insofar as machine building is concerned), which changes represent deviations from the original model and which ones reflect changes that have occurred in the Soviet model itself, perhaps as the result of feedback from Soviet, Satellite, and Chinese experience?

6. Although the report deals primarily with the problems of Chinese machine building and only indirectly with the economy as a whole, it appears to stray from its subject because many of the comparisons which it makes between the Soviet and Chinese economies are too general in nature. By making the comparison in an explicit operational framework, such as suggested above, it is believed that the project will develop more meaningful relationships which are of greater use to the community than categorical judgments as to the origins of policy.

7. I shall of course be happy to discuss with you and [REDACTED] any of these suggestions, together with those in the attached Notes.

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Attachment (1)